

*THIS PROSPECTUS IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, A PUBLIC OFFERING OF ANY OF THESE SECURITIES FOR SALE IN THE UNITED STATES OF AMERICA OR IN THE TERRITORIES OR POSSESSIONS THEREOF*

*THE SHARES OFFERED HEREBY ARE SPECULATIVE SECURITIES BY REASON OF THE FACT THAT THE COMPANY IS STILL IN THE DEVELOPMENT STAGE, HAS NO ESTABLISHED EARNINGS RECORD AND HAS NEVER PAID A DIVIDEND*

NEW ISSUE

PROSPECTUS

## **International Hydrodynamics Company Ltd.**

Incorporated under the laws of the Province of British Columbia

### **250,000 COMMON SHARES**

without nominal or par value

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS OR COMMISSIONS	PROCEEDS TO COMPANY
Per Share	\$6.75	\$.75	\$6.00
TOTAL	\$1,687,500.00	\$187,500.00	\$1,500,000.00 (1)

(1) Before deduction of expenses payable by the Company estimated at \$30,000.00.

We, as principals, offer these 250,000 common shares if, as and when purchased and accepted by us subject to prior sale or change in price and the approval of all legal matters by Messrs. Armstrong, Brawner & Speton, 1250 One Bentall Centre, 505 Burrard Street, Vancouver, B.C.

Subscriptions will be received subject to rejection of allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates representing these common shares will be available for delivery on or about May 30th, 1969.

#### **REGISTRAR AND TRANSFER AGENT**

Guaranty Trust Company of Canada  
624 Howe Street, Vancouver, B.C.

#### **REGISTERED OFFICE**

1250 One Bentall Centre  
505 Burrard Street  
Vancouver, B.C.

#### **UNDERWRITER**


#### **BELVEDERE INVESTMENTS LTD.**

1250 One Bentall Centre  
505 Burrard Street  
Vancouver, B.C.

#### **AUDITOR**

John J. Ptucha  
Chartered Accountant  
315 - 470 Granville Street  
Vancouver, B.C.

*NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.*



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# PROSPECTUS

April, 1969

## INTERNATIONAL HYDRODYNAMICS COMPANY LTD.

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## THE COMPANY

INTERNATIONAL HYDRODYNAMICS COMPANY LTD. (hereinafter referred to as "the Company") was incorporated on the 29th day of July, 1964, under the Companies Act of the Province of British Columbia, by registration of its Memorandum and Articles of Association. The Memorandum of Association was amended on January 20th, 1969, by converting the shares with a nominal or par value of One (\$1.00) Dollar each into shares without nominal or par value. The Memorandum of Association was further amended on January 22nd, 1969, increasing the authorized capital of the Company to 1,500,000 common shares without nominal or par value with a maximum price or consideration of Six (\$6.00) Dollars each. The Company was converted from a private company to a public company on May 13th, 1969.

The address of the head office of the Company is at 145 Riverside, North Vancouver, British Columbia, and the registered office of the Company is at 1250 One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia.

## THE BUSINESS – History

International Hydrodynamics Company Ltd. was incorporated in July, 1964, for the purpose of research and development and ultimate manufacture and utilization of a submersible. The principals were a group of professional divers who possessed extensive experience of underwater operations in many parts of the world from the Canadian Arctic to Saudi Arabia.

The first submersible, known as the "Pisces I" was completed in 1966, and the first operational dive took place in October, 1966. Almost immediately after this dive, the owners were awarded the contract to perform certain underwater work for the University of Washington and the United States Bureau of Fisheries. This operation involved a total of 29 dives, all of which carried passengers, to a maximum depth of 580 feet.

During the months that followed, the craft was also employed on a joint assignment for the Westinghouse Corporation and the University of British Columbia.

These activities led to a very important contract in the field of defence, during which "Pisces I" was engaged as the search and recovery vessel at the joint Canada-United States torpedo testing range in the Gulf of Georgia. On this assignment, over sixty valuable weapons were recovered in depths down to 1,400 feet.

One of the most important features of the Pisces class of submersible is the ease and speed with which the craft can be moved from one area of operation to another. By design, the submersible can be loaded on to a conventional road trailer or into a cargo carrying aircraft, quickly and with ease. The value of this was clearly demonstrated in the case of an emergency call to a lake in the State of Idaho, in which two very valuable underwater weapons had been lost. After a 600 mile trip by road, "Pisces I" was launched and made a search of the bottom. Both weapons were located. The first weapon was recovered by using the manipulator on the submersible. The second was also found, buried in the mud, but was not salvageable. But for the mobility of the submersible, this operation would not have been possible.

The "Pisces I" has been fully tested to depths of 2,500 feet in Jervis Inlet.

In early 1968, the "Pisces I" returned to the torpedo testing range in the Gulf of Georgia and conducted a visual and photographic survey and inspection of acoustic underwater arrays, and also effected the recovery of a lost torpedo on the bottom of very rugged terrain. This, in effect, was a continuation of the previous search and recovery program.

Following the Gulf of Georgia operation, the "Pisces I" was engaged with a consortium of oil companies who were performing an offshore oil drilling program in the Santa Barbara channel in California, U.S.A. The Company undertook this program primarily for the purpose of introducing the submersible to the offshore oil drilling industry and also to the pipe line construction companies.

Following the Santa Barbara operation, the Company undertook a diving program with the "Pisces I" for the Government of Canada. This six week trip extended from Thule, Greenland west to the McClure Straits, a trip covering a total distance of 2,500 miles. This operation involved bottom sampling, underwater photography, recovery of recording instrument packages and other matters of scientific nature. Fifteen dives were made and over half of these dives were under ice, the only time this has ever been accomplished by a submersible. The following institutions were involved with the Canadian Government in this program:— Bedford Institute of Oceanography; U.S. Naval Ordinance Laboratory; U.S. Naval Underwater Weapon Research and Engineering; Fisheries Research Board; Johns Hopkins University; Defence Research Board; Canadian Armed Forces — Sea Environment and Air Movement Unit and the Department of Transport. This program was completed in September, 1968.



The next program was undertaken for the Shell Oil Company of Canada at Hackett Straits in the Province of British Columbia. This program involved salvage operations, inspection of the anchors and of a drilling rig and underwater observation and inspection.

By agreement dated February 22nd, 1968, the Company entered into a licensing agreement with Vickers Ltd., Shipbuilding Group, Vickers Armstrongs Barrow-in-Furness Shipyard, England, under the terms whereby the European manufacturing, sales and charter rights were granted to Vickers Ltd. for a term of nine years. At one and the same time Vickers Ltd. ordered a "Pisces II" submersible which is a modified and improved design of the "Pisces I", capable of operating in depths up to 3,000 feet. The consideration of the granting of the said license was that Vickers Ltd. would pay to the Company 15 per cent of the gross rentals on the "Pisces II" submersible for the first three years and thereafter five per cent of the gross rentals. In addition, should Vickers Ltd. manufacture any additional submersibles, Vickers is required to pay five per cent of the gross rentals or the gross selling price during the term of the said agreement.

As of the date of this Prospectus, the "Pisces II" ordered by Vickers has been completed and is undergoing sea trial runs and final fitting out preparatory to shipment to England.

The Company is presently engaged in the manufacture of "Pisces III" which is identical to "Pisces II" purchased by Vickers Ltd. The Company is also in the course of manufacturing "Pisces IV" and "Pisces V" the latter two being modifications of the previous submersibles and are capable of operating at depths down to 6,500 feet.

Although there are other companies involved in the manufacture of deep diving submersibles in the United States of America, market research has indicated to the Company that no submersible manufactured by others is capable of the performance of the Company's submersibles in the same price range.

The Company has received inquiries for the leasing of the Company's submersibles from a considerable number of oil and mining companies, scientific bodies, government agencies, military departments and engineering concerns throughout the world, and in consequence thereof, the manufacture of the "Pisces III, IV and V" was embarked upon.

On February 12th, 1969, the Company was low bidder and was awarded a contract with the United States Navy for the recovery of torpedoes in Jervis Inlet and at Nanoose Bay, British Columbia. The term of the contract is from February 17th, 1969 to February 17th, 1970 and involves the recovery of fifty torpedoes at Nanoose Bay for the sum of \$2,385.00 per torpedo making a total of \$119,250.00 and the recovery of ten torpedoes in Jervis Inlet at the price of \$4,500.00 per torpedo, making a total of \$45,000.00, for an over all total of \$164,250.00.

Inasmuch as there have been approximately 140 to 155 lost torpedoes in the ranges during 1967 and 1968, it is quite possible that the Company will be requested, under the contract, to recover considerably more than the said sixty torpedoes above mentioned, and in consequence the contract could well amount to \$400,000.00.

## DESCRIPTION OF PROPERTY

The Company is presently leasing a manufacturing plant at 145 Riverside Drive, North Vancouver, British Columbia, with an area of approximately 10,000 square feet. The lease runs for a period of 36 months and the monthly payments thereunder are \$858.00 per month.

The Company has also obtained an option to purchase a 355 foot by 120 foot parcel of land at the foot of Lonsdale, North Vancouver, British Columbia, the purchase price being \$46,250.00. Under the terms of the said option, the Company must commence construction by the end of April, 1969, or the option will lapse.

In addition to its submersibles, the Company owns, at the present time, the following:—

an 18 foot by 28 foot hanger complete with handling gantry, battery chargers, air compressors, etc., on a 32 foot by 90 foot wooden scow;

a fully equipped 36 foot twin diesel powered support vessel, the "Hudson Explorer";

lathes, drill presses and all other manufacturing machines and equipment required for the manufacture of the submersible;

mobile maintenance support equipment.

## DIRECTORS AND OFFICERS

The names and addresses in full of the Directors and Officers of the Company and the positions and offices held by each in the Company and their principal occupations within the five preceding years are as follows:—

NAME AND ADDRESS	OFFICE	PRINCIPAL OCCUPATION
G. Arnold Armstrong 1250—505 Burrard Street Vancouver, B.C.	Chairman of the Board, Director	Solicitor — partner in law firm of Armstrong, Brawner & Speton, Vancouver, British Columbia;
Thomas F. Horton 155 East 5th North Vancouver, B.C.	President and Director	Director, Washington operations of Oceans General, Inc., Washington, D.C. until present time; President and Director of the Company since January, 1969;
Donald Sorte 1365 Coleman Street North Vancouver, B.C.	Vice-President and Director	Deep sea diver since 1958;
Allan R. Trice 3524 Point Grey Road Vancouver, B.C.	Secretary and Director	Deep sea diver since 1955;
Mack F. Thomson 1249 Doran Road North Vancouver, B.C.	Vice-President and Director	Designer and diver since 1956;
Keith Baldwin 600 - 890 West Pender Street Vancouver, B.C.	Director	President of Captain International Industries Ltd., Vancouver, British Columbia;
Nathan Frankel 600 - 890 West Pender Street Vancouver, B.C.	Director	Managing Director of Captain International Industries Ltd., Vancouver, British Columbia.

## PLAN OF DISTRIBUTION

By agreement dated February 10th, 1969, between the Company and Belvedere Investments Ltd. (the Underwriter) on its own behalf as Underwriter, the Company agreed to sell and the Underwriter agreed to buy, Two Hundred and Fifty Thousand (250,000) common shares offered by this Prospectus for \$6.00 per share payable in cash against delivery of certificates representing the said common shares in definitive form, at the closing date within three days after this Prospectus has been filed with and accepted by the Securities Commission of British Columbia. Under the provisions of the said underwriting agreement in consideration of the said Underwriter purchasing the said 250,000 shares, the Company has agreed to sell to the Underwriter, 25,000 share purchase warrants at the price of Ten (\$10) Cents per warrant. Each such warrant will entitle the bearer thereof to purchase one common share without nominal or par value in the capital stock of the Company as constituted at March 15th, 1969, for \$6.00 until the close of business on March 15th, 1974. These warrants will be sold privately by the Underwriter and do not form part of this offering.

The said 250,000 shares will be offered to the public in the Province of British Columbia by the Underwriter through Ryan Investments Ltd., the selling broker.



## USE OF PROCEEDS

Proceeds of the sale of securities offered by this Prospectus, estimated to be \$1,500,000.00, are to be used to manufacture and market the Company's product throughout the world, and in particular, for the following purposes:—

(a)	Repayment of bank loan by Bank of Montreal . . . . .	\$300,000.00	
(b)	Payments of Accounts Payable . . . . .	157,000.00	
(c)	Manufacture of Pisces vessels . . . . .	480,000.00	
(d)	Manufacturing equipment, lathes, etc. . . . .	25,000.00	
(e)	Submersible handling equipment, cranes, etc. . . . .	50,000.00	
(f)	Research and development expenditures related oceanographic projects	100,000.00	
(g)	Interest and bank charges . . . . .	60,000.00	
(h)	General and administrative Management personnel, administrative and marketing costs, utilities, rents, taxes, insurance, legal and audit . . . . .	145,000.00	
(i)	Working capital . . . . .	130,000.00	(1)
		<u>1,500,000.00</u>	

(1) The Company is obligated to pay to Vickers Ltd. under the agreement dated April 8th, 1968 (see "Material Contracts"), the sum of \$10,000.00 per month, which moneys will be paid out of the working capital during the year 1969.

## CAPITALIZATION

DESIGNATION OF SHARES	AMOUNT AUTHORIZED	OUTSTANDING AS AT NOVEMBER 30, 1968	OUTSTANDING AS AT JANUARY 31, 1969	OUTSTANDING IF ALL THE SHARES OFFERED BY THIS PROSPECTUS ARE SOLD
LOANS AND DEBT:				
Vickers Ltd.	—	\$355,000.00	\$345,000.00	\$345,000.00
Bank Loan	—	225,000.00	300,000.00	Nil
Sundry Indebtedness of the Company	—	157,107.35	157,107.35	Nil
Capital stock of the Company Common shares without nominal or par value	1,500,000	600,000	600,000	850,000 (1)
(Including consideration for warrants)		(\$602.70)	(\$602.70)	(\$1,503,102.70)
Contributed Surplus		59,970.00	59,970.00	59,970.00

(1) This column does not reflect the 25,000 shares without nominal or par value which will be issuable upon the exercise of the right of purchase conferred by 25,000 share purchase warrants as referred to herein under the heading "Plan of Distribution", nor does it reflect the 34,000 shares under option which are referred to herein under the heading "Options to Purchase Shares of the Company".

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table sets forth the aggregate direct remuneration paid or payable by the Company to the Directors and Senior Officers of the Company for the twelve month period ended November 30th, 1968, and for the subsequent period ended January 31st, 1969.

REPORTING PERIOD	AGGREGATE DIRECT REMUNERATION	PENSION PLAN BENEFITS	OTHER REMUNERATION
November 30, 1967 to November 30, 1968	\$23,256.75	Nil	Nil
December 1, 1968 to January 31, 1969	9,000.00	Nil	Nil

## OPTIONS TO PURCHASE SHARES OF THE COMPANY

INTERNATIONAL HYDRODYNAMICS COMPANY LTD.	NUMBER OF SHARES	PRICE PER SHARE	EXERCISE PERIOD
Director and Senior Officer*	24,000	\$5.10	8,000 shares on or before January 31, 1972; 8,000 shares between February 1, 1970 and January 31, 1972; 8,000 shares between February 1, 1971 and January 31, 1972.
Senior Officer**	10,000	\$6.00	2,500 shares per annum exercisable annually commencing June 29, 1970; said options being cumulative.

\* This option is an incentive option to a senior officer who is also a director of the Company.

\*\*This option is an incentive option to a senior officer of the Company.

In addition to the above, the Underwriter has been granted 25,000 share purchase warrants, each such warrant entitling the bearer thereof to purchase one common share without nominal or par value in the capital stock of the Company as constituted at March 15th, 1969, for \$6.00 until the close of business at March 15th, 1974.

## PRIOR SALES

During the past twelve months, 5,997 shares were issued at the price of \$.10 per share, making a total of 6,000 shares issued and outstanding. At one and the same time as the said 5,997 shares were issued, Donald Sorte, Allan R. Trice and Mack F. Thomson contributed the sum of \$59,970.00 to the Company by way of contributed surplus. The said 6,000 shares were subdivided 100 for one, so that as of the date hereof there are 600,000 common shares issued and outstanding.

## DESCRIPTION OF SHARES

The authorized capital of the Company consists of 1,500,000 common shares without nominal or par value. Each holder of common shares is entitled to one vote for each share held and to participate pro rata in any distribution to shareholders upon liquidation of the Company. Shareholders are entitled to such dividends as may from time to time be declared by the Board of Directors of the Company out of funds legally available therefor. There are no pre-emptive rights or conversion rights attaching to the common shares. All of the issued and outstanding shares of the Company including those hereby offered are fully paid and are not subject to further call or assessment by the Company.



## DIVIDEND RECORD

The Company has not, since incorporation, paid any dividends on any of its shares.

The Company has no present intention to pay dividends but the future policy will be determined by the Board of Directors on the basis of earnings, financial requirements and other relevant factors.

## PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, the following persons beneficially own, directly or indirectly, more than ten per cent of the shares of the Company, their shareholdings being as follows:—

NAME AND ADDRESS	TYPE OF OWNERSHIP	NUMBER OF SHARES OWNED	PERCENTAGE OF CLASS
Donald Sorte 1365 Coleman Avenue North Vancouver, B.C.	Beneficial and of Record	184,666	30.77%
Allan R. Trice 3524 Point Grey Road Vancouver, B.C.	Beneficial and of Record	184,667	30.77%
Mack F. Thomson 1249 Doran Road North Vancouver, B.C.	Beneficial and of Record	184,667	30.77%

As of the date of this Prospectus, the Directors and Senior Officers of the Company, as a group, beneficially own, directly or indirectly, the following per centage of the equity shares of the Company.

DESIGNATION OF CLASS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS
Common Shares	584,000	97.33%

By an agreement dated February 10th, 1969, ("the Pooling Agreement") the present shareholders deposited 600,000 common shares with Guaranty Trust Company of Canada at its principal offices at Vancouver, British Columbia, ("the Trustee") to be held by the Trustee on inter alia, the following terms:—

- (a) ten (10%) per cent of the shares shall be released to the present shareholders 30 days after primary distribution has been completed;
- (b) fifteen (15%) per cent of the share shall be released to the present shareholders 90 days after primary distribution has been completed;
- (c) twenty-five (25%) per cent of the shares shall be released to the present shareholders 180 days after primary distribution has been completed;
- (d) twenty-five (25%) per cent of the shares shall be released to the present shareholders 270 days after primary distribution has been completed;
- (e) twenty-five (25%) per cent of the shares shall be released to the present shareholders 360 days after primary distribution has been completed.

The said shares shall not be released as aforesaid without the consent to such release from the Superintendent of Brokers, Victoria, B.C., first being had and obtained.

Provided however, that at the expiration of the 360 days, the remaining shares held in pool or any part thereof, may be released with the unanimous consent of the Board of Directors of the Company and the Superintendent of Brokers, Victoria, British Columbia.

## PROMOTERS

Donald Sorte, Allan R. Trice and Mack F. Thomson were the founders and organizers of the Company. They are the promoters of the Company as defined by the Securities Act, 1967.

## REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent of the Company is Guaranty Trust Company of Canada, 624 Howe Street, Vancouver, British Columbia.

## AUDITOR

The Auditor of the Company is John J. Ptucha, Chartered Accountant, Vancouver, British Columbia.

## MATERIAL CONTRACTS

Particulars regarding every material contract entered into by the Company within the two years preceding the date hereof, other than in the ordinary course of business are as follows:—

- (a) the underwriting agreement referred to under the heading "Plan of Distribution" on page 6 of this Prospectus;
- (b) licensing agreement dated the 22nd day of February, 1968, made between the Company of the one part and Vickers Ltd. of the other part, relating to the granting of the European rights to manufacture, sell and charter submersibles in the European area;
- (c) agreement dated the 8th day of April, 1968, made between the Company of the one part and Vickers Ltd. of the other part, relative to the loan of \$355,000.00 to the Company;
- (d) option agreement dated the 10th day of February, 1969, and made between Donald Sorte as Optionor and the Company as Optionee, relating to an option to purchase the total issued and outstanding capital stock of Northwest Divers Ltd., in consideration of the allotment of 10,000 common shares of the Company.

## STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 61 and 62 of the Securities Act, 1967, (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice;
- (b) a purchaser has the right to rescind a contract for the purchase of such securities while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.



INTERNATIONAL HYDRODYNAMICS CO. LTD.

FINANCIAL STATEMENTS

AS AT

NOVEMBER 30, 1968

*John J. Ptucha*

CHARTERED ACCOUNTANT

JOHN J. PTUCHA, B.COMM., C.A.

## AUDITOR'S REPORT

To the Directors  
International Hydrodynamics Co. Ltd.

I have examined the balance sheet and pro forma balance sheet of International Hydrodynamics Co. Ltd. as at November 30, 1968, and the statement of income, deficit and retained earnings, and source and application of funds for the four years and four months then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion:

- (a) The accompanying balance sheet presents fairly the financial position of the Company as at November 30, 1968;
- (b) The accompanying pro forma balance sheet presents fairly the financial position of the Company as at November 30, 1968, after giving effect to the changes set forth in Note 1;
- (c) The accompanying statements of income, deficit and retained earnings and source and application of funds present fairly the results of operations of the Company for the four years and four months ended November 30, 1968;

all in accordance with generally accepted accounting principles applied on a consistent basis.

"JOHN J. PTUCHA"

Vancouver, B.C.  
January 31, 1969

Chartered Accountant



**INTERNATIONAL HYDRODYNAMICS COMPANY LTD.  
BALANCE SHEET AND PRO FORMA BALANCE SHEET  
AS AT NOVEMBER 30, 1968**

	Balance Sheet	Pro Forma Balance Sheet
<b>CURRENT ASSETS</b>		
Cash and bank . . . . .	\$ 21,458.30	\$1,139,950.65
Accounts Receivable — trade . . . . .	29,135.85	29,135.85
Inventory spare parts, at lower of cost or realizable value . . . . .	69,196.74	69,196.74
Submersible under contract, in process (Note 2) . . . . .	246,860.14	246,860.14
Refundable deposits . . . . .	16,158.33	16,158.33
	<u>382,809.36</u>	<u>1,501,301.71</u>
<b>PROPERTY ASSETS, AT COST (Note 3)</b>		
Leasehold improvements . . . . .	17,880.52	17,880.52
Buildings . . . . .	210.00	210.00
Equipment and machinery . . . . .	35,529.29	35,529.29
Automotive vehicles . . . . .	1,550.00	1,550.00
Vessels . . . . .	44,435.77	44,435.77
Submersible . . . . .	145,437.04	145,437.04
	<u>245,042.62</u>	<u>245,042.62</u>
<b>OTHER ASSETS</b>		
Research and development expenses at cost . . . . .	299,626.16	299,626.16
Deposit on equipment (Note 4) . . . . .	10,813.00	10,813.00
	<u>310,439.16</u>	<u>310,439.16</u>
	<u>\$938,291.14</u>	<u>\$2,056,783.49</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bank loan secured . . . . .	\$225,000.00	—
Advances from customers (Note 2) . . . . .	140,000.00	140,000.00
Accounts payable - trade . . . . .	90,918.20	—
Accounts payable - other . . . . .	66,189.15	—
Current portion non-current debt . . . . .	110,000.00	110,000.00
Shareholders' loans . . . . .	—	—
Chattel mortgage, secured . . . . .	—	—
	<u>632,107.35</u>	<u>250,000.00</u>
<b>NON-CURRENT DEBT</b>		
Term loan payable, secured . . . . .	355,000.00	355,000.00
<u>LESS</u> — due within one year . . . . .	110,000.00	110,000.00
	<u>245,000.00</u>	<u>245,000.00</u>
<b>SHARE CAPITAL (Note 6)</b>		
3 shares . . . . .	3.00	—
Contributed surplus . . . . .	59,970.00	59,970.00
850,000 shares . . . . .	—	1,500,502.70
<b>RETAINED EARNINGS</b> . . . . .	1,210.79	1,210.79
	<u>\$938,291.14</u>	<u>\$2,056,783.49</u>

ON BEHALF OF THE BOARD

"THOMAS F. HORTON" President and Director

"A.R. TRICE" Sec. Treas. and Director

## NOTES TO FINANCIAL STATEMENTS

1. **General:**

The pro forma balance sheet gives effect to:

- (a) The issue and sale of 5,997 shares for \$ .10 per share.
- (b) The subdivision of the outstanding shares into 600,000 shares.
- (c) The increase and change in the authorized share capital to 1,500,000 shares without nominal or par value with a maximum issue price of \$6.00 per share.
- (d) The issue and sale to the underwriter of 250,000 shares at \$ 6.00 per share.

The pro forma balance sheet does not show the disposition of the funds available upon completion of the above transactions.

2. **Submersible under contract:**

During the year ended September 30, 1968, the company entered into an agreement to build a "Pisces" type submersible for Vickers Limited on account of which advances of \$140,000.00 have been received.

3. **Depreciation of Fixed Assets:**

No depreciation has been recorded in the books of account from the date of incorporation, July 30, 1964, to November 30, 1968, since the company is still in the research and development stage.

4. **Pacific Submersibles, Inc.:**

On December 21, 1968, the Company made application to the Supreme Court of British Columbia for an order granting liberty to the Company to issue a Writ of Summons against Pacific Submersibles, Inc., and for leave to serve said Pacific Submersibles, Inc., in the State of Hawaii. The order was granted on the 31st day of December, 1968. The intended action has reference to rescission of a certain agreement dated May 22, 1968, wherein Pacific Submersibles, Inc. agreed to sell and the Company agreed to purchase a three arm manipulator system for use as an attachment to a submersible owned by the Company by reason of the negligent construction and installation of the said manipulator system and for return of the deposit in the sum of \$10,000.00 U.S. funds. The Writ of Summons in this matter is in the course of preparation.

On the 31st day of December, 1968, the said Pacific Submersibles, Inc. commenced an action against the Company in the Supreme Court of British Columbia for the sum of \$30,000.00 U.S. Funds alleged to be owing under the contract dated May 22, 1968, for damages for breach of the contract, and alternatively for specific performance of said contract. In the further alternative Pacific Submersibles, Inc. claimed the sum of \$15,000.00 U.S. Funds under and pursuant to an alleged settlement agreement and alternatively thereto for specific performance of said settlement agreement. In the opinion of counsel for the Company, the action of Pacific Submersibles, Inc. is without merit and accordingly, the action is being contested by the Company.

5. **Term loan payable:**

During the year ended September 30, 1968, Vickers Limited advanced to the Company a loan in the amount of \$355,000.00 which is repayable at the rate of \$10,000.00 per month with interest at the rate of 6% per annum, commencing January 1, 1969.

6. **Share Capital:**

	Authorized		Issued	
	No. Shares	\$	No. Shares	\$
Balance Sheet —				
Common shares having a nominal or par value of \$1.00 each	10,000	\$ 10,000.00	3	3.00
Pro Forma Balance Sheet —				
Common shares without nominal or par value with maximum issue price of \$6.00 each	1,500,000	—	850,000	\$1,500,602.70



INTERNATIONAL HYDRODYNAMICS CO. LTD.  
 COMPARATIVE STATEMENTS OF INCOME, DEFICIT AND RETAINED EARNINGS  
 FOR THE TWO MONTHS ENDED SEPTEMBER 30, 1964  
 FOR THE YEARS ENDED SEPTEMBER 30, 1965 to 1968 INCLUSIVE  
 AND THE TWO MONTHS ENDED NOVEMBER 30, 1968

	1964	1965	1966	1967	1968	Two Months Ended November 30, 1968
<b>REVENUE:</b>						
Submersible Services	\$ —	\$ —	\$ —	\$47,969.17	\$169,502.82	\$2,524.50
Man Diving Services	—	26,347.10	—	—	—	—
Other Services	—	—	—	4,800.00	10,400.00	—
Interest Income	—	—	—	—	106.85	—
	—	26,347.10	—	52,769.17	180,009.67	2,524.50
<b>EXPENSES:</b>						
Cost of Services	—	8,151.00	3,826.43	12,180.00	36,044.87	—
Operating Expenses	412.50	4,316.74	12,202.87	28,807.15	129,890.71	2,524.50
Selling Expenses	—	—	—	—	8,584.48	—
Interest on Current Debt	81.00	136.45	135.96	1,580.48	11,564.51	—
	493.50	12,604.19	16,165.26	42,567.63	186,084.57	2,524.50
Income (Loss) Before Taxes	(493.50)	13,742.91	(16,165.26)	10,201.54	(6,074.90)	—
Provision for Income Taxes	—	—	—	—	—	—
Net Income (Loss) for the Year	(493.50)	13,742.91	(16,165.26)	10,201.54	(6,074.90)	—
Retained Earnings (Deficit) Beginning of Year	—	(493.50)	13,249.41	(2,915.85)	7,285.69	1,210.79
Retained Earnings (Deficit) End of Year	\$ (493.50)	\$13,249.41	\$ (2,915.85)	\$ 7,285.69	\$ 1,210.79	\$1,210.79

INTERNATIONAL HYDRODYNAMICS CO. LTD.

EXHIBIT "C"

COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE TWO MONTHS ENDED SEPTEMBER 30, 1964  
AND THE YEARS ENDED SEPTEMBER 30, 1965 to 1968 INCLUSIVE  
AND THE TWO MONTHS ENDED NOVEMBER 30, 1968

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	Two Months Ended November 30, 1968
FUNDS PROVIDED:						
Net income for year	\$ -	\$ 13,742.91	\$ -	\$ 10,201.54	\$ -	\$ -
Proceeds of issue of shares to subscribers	2.00	-	-	1.00	-	-
Proceeds of long term loan, Vickers Ltd.	-	-	-	-	355,000.00	-
Less: Provision for amount payable within 1 year	-	-	-	-	(90,000.00)	(20,000.00)
Increase in contributed surplus	11,970.00	12,000.00	12,000.00	12,000.00	12,000.00	-
TOTAL FUNDS PROVIDED	11,972.00	25,742.91	12,000.00	22,202.54	277,000.00	(20,000.00)
FUNDS APPLIED:						
Increase in property assets -						
Leasehold improvements	-	-	-	-	17,435.13	445.39
Buildings	-	-	-	-	210.00	-
Equipment and machinery	-	4,935.14	14,143.83	5,059.65	11,086.97	303.70
Automotive vehicles	-	-	-	-	1,550.00	-
Vessels	-	-	-	5,775.00	36,900.00	1,760.77
Submersible, including construction in progress and additions	1,223.71	40,508.76	39,816.87	25,316.91	38,570.79	-
	1,223.71	45,443.90	53,960.70	36,151.56	105,752.89	2,509.86
Research and development expenses	18,970.00	26,000.00	29,731.38	35,482.97	148,120.43	41,321.38
Deposit on conditional acquisition of equipment	-	-	-	-	10,813.00	-
Net loss for year	493.50	-	16,165.26	-	6,974.90	-
TOTAL FUNDS APPLIED	20,687.21	71,443.90	99,857.34	71,634.53	270,761.22	43,831.24
Increase (decrease) in working capital	(8,715.21)	(45,700.99)	(87,857.34)	(49,431.99)	6,238.78	(63,831.24)
Working capital (deficit) at beginning of year	-	( 8,715.21)	(54,416.20)	(142,273.54)	(191,705.53)	(185,466.75)
Working capital (deficit) at end of year	\$ (8,715.21)	\$ (54,416.20)	\$ (142,273.54)	\$ (191,705.53)	\$ (185,466.75)	\$ (249,297.99)



INTERNATIONAL HYDRODYNAMICS CO. LTD.  
COMPARATIVE SCHEDULES OF OPERATING EXPENSES  
FOR THE TWO MONTHS ENDED SEPTEMBER 30, 1964  
FOR THE YEARS ENDED SEPTEMBER 30, 1965 to 1968 INCLUSIVE  
AND THE TWO MONTHS ENDED NOVEMBER 30, 1968

Schedule "I"

	1964	1965	1966	1967	1968	Two Months Ended November 30, 1968
Supervisory Salaries	\$ —	\$ —	\$ —	\$ —	\$ 23,256.75	\$ —
Payroll Assessments	—	138.15	363.43	790.31	3,806.03	726.24
Insurance	—	1,016.28	2,109.99	4,441.25	4,362.51	—
Life Insurance	—	—	—	1,624.88	5,399.65	—
Taxes and Licences	—	69.30	—	—	223.30	26.14
Rental Buildings	—	—	1,097.82	102.04	1,714.84	328.85
Rental Equipment	—	30.00	1,832.37	2,284.54	4,283.82	40.88
Advertising	—	—	20.00	—	878.43	—
Publicity and Promotion	—	133.00	316.35	295.04	700.00	—
Subscriptions	—	123.00	215.00	848.64	622.45	—
Stationery and Office	—	202.16	862.98	705.98	4,972.39	—
Telephone	5.00	116.17	762.77	1,867.01	4,562.58	—
Utilities and Fuel	—	12.00	310.12	979.24	3,418.11	—
Maintenance and Repair Materials	—	—	732.99	34.57	4,953.98	—
Maintenance and Repair, Purchased Services	—	—	690.83	3,533.90	7,871.89	150.00
Operating Supplies	—	1,103.89	—	1,512.52	10,817.29	1,252.39
Freight and Customs Brokerage	—	804.63	218.13	2,948.71	5,795.69	—
Towing	—	—	—	765.00	425.00	—
Entertainment	—	—	169.17	1,873.42	3,073.73	—
Lodging	—	34.75	333.04	880.33	11,472.26	—
Travel	—	141.80	919.36	2,557.46	7,247.96	—
Management Consulting and Accounting Fees	—	—	655.88	762.31	17,715.00	—
Legal Fees	407.50	391.61	592.64	—	2,317.05	—
TOTAL OPERATING EXPENSES	\$ 412.50	\$ 4,316.74	\$ 12,202.87	\$ 28,807.15	\$ 129,890.71	\$ 2,524.50

## CERTIFICATES

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967, and the regulations thereunder.

DATED April 30th, 1969.

"Thomas F. Horton"

"G. Arnold Armstrong"

"Allan R. Trice"

"Donald Sorte"

"Mack F. Thomson"

"Keith Baldwin"

"Nathan Frankel"

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967, and the regulations thereunder.

BELVEDERE INVESTMENTS LTD.

"C. Brownie"

Per: President

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5 per cent in the capital of Belvedere Investments Ltd.: Kipling Investments Limited, Box 288, Nassau, Bahamas; the only persons having an interest, directly or indirectly, to the extent of not less than 5 per cent in the capital of Kipling Investments Limited are G. Arnold Armstrong and Keith Baldwin, both of Vancouver, British Columbia.





